

Table 24

Line Item	Description	Unit Price					
		Proposed	N00164-08-D-JQ40	Commercial Price List	Invoice	N00164-11-D-JQ64	N00164-11-G-JQ72
CLIN 0010, 0022, and 0025	Test, Teardown, and Evaluation CEU	(b)(4)	(b)(4)	(b)(4)	(b)(4)	(b)(4)	(b)(4)

G. CLIN 0013, 0028, 0031 and 0034 Universal Hand Control Unit (UHC) - CATEGORY I REPAIR TEST, TEARDOWN AND EVALUATION (TT&E) For both USMC and VTUAV Programs

PROPOSED - (b)(4)

FLIR Systems, Inc. proposed a Firm Fixed Price of (b)(4) per repair for (b)(4) of the five (5) year Contract. FLIR Systems, Inc. proposed a (b)(4) escalation rate between (b)(4) of the contract.

TECHNICAL RECOMMENDED

The RTA stated that the TT&E for a UHC involves the contractor to clean, visually inspect, and bench test the UHC. The following TT&E procedures are performed:

- Disassemble to the extent necessary to verify failure and/or inspect for needed repairs
- Incorporate approved Engineering Change Orders (ECO's)
- Conduct final testing
- Packing
- Shipping
- Make all cosmetic repairs
 - o Cracks
 - o Scratches
 - o Dents
 - o Corrosion
- Tighten or replace knob set screws as necessary
- Complete and affix Serviceable Material Tag

The TT&E price is reasonable for the procedures performed to complete the TT&E.

GOVERNMENT POSITION \$400

Table 25 below gives an overview of the repair prices for the UHC TT&E from various sources. The proposed price is the same as the commercial price list. FLIR Systems Inc. submitted two invoices that verified the TT&E for the UHC to be (b)(4). The most recent TT&E invoice was 08 January 2013. Similar TT&E was procured on Contract N00164-11-D-JQ64 and N00164-11-G-JQ72. Contract N00164-11-D-JQ64 is a five (5) year IDIQ contract (Sole Source) awarded on 22 July 2011. Price for TT&E for a UHC was (b)(4) which was determined fair and reasonable IAW FAR 15.404-1(b)(2)(ii) Comparison of the proposed prices to historical prices paid and 15.404-1(b)(2)(iv) Comparison with competitive published price lists, published market prices of commodities, similar indexes, and discount or rebate arrangements. Contract N00164-11-G-JQ72 is a five (5) year BOA (Sole Source) awarded 23 August 2011. Price for TT&E for a UHC was (b)(4) which was determined fair and reasonable IAW FAR 15.404-1(b)(2)(ii) Comparison of the proposed prices to historical prices paid.

Table 25 clearly demonstrates that the price found on N00164-08-D-JQ40 contract is an outlier as other prices are consistently (b)(4). The current commercial price is the same as the proposed price. The proposed price is 194.12% higher than the price negotiated on N00164-08-D-JQ40. As with the cables, the N00164-08-D-JQ40 contract price did not include the application of indirect rates. The Government accepts FLIR Systems, Inc. proposed price as the most recent invoice was dated 08 January 2013. The Government takes exception to FLIR Systems, Inc. escalation rate of (b)(4) as previously discussed.

Table 25

Line Item	Description	Unit Price					
		Proposed	N00164-08-D-JQ40	Commercial Price List	Invoice	N00164-11-D-JQ64	N00164-11-G-JQ72
CLIN 0013, 0028, 0031, and 0034	Test, Teardown, and Evaluation UHC	(b)(4)	(b)(4)	(b)(4)	(b)(4)	(b)(4)	(b)(4)

PROPOSED - (b)(4) per CLIN

FLIR Systems, Inc. proposed a Firm Fixed Price of (b)(4) per CLIN Year one (1) of the five (5) year Contract. FLIR Systems, Inc. proposed a (b)(4) escalation rate between (b)(4) of the contract.

Priced Data includes:

- CDRL A001 Provisioned Item Order List
- CDRL A002 Acceptance Test Procedure
- CDRL A003 Integrated Master Schedule (IMS)
- CDRL A004 Monthly Progress Report
- CDRL A006 Government Furnished Equipment Repair Status Report
- CDRL A013 Interface Control Drawings (ICD)
- CDRL A015 Technical Report (Obsolescence)

TECHNICAL RECOMMENDED

The RTA stated that the Priced Data is less than the year five (5) price on contract N00164-08-D-JQ40. Price Data on N00164-08-D-JQ40 Includes:

- CDRL A001 Integrated Master Schedule
- CDRL A002 Monthly Progress Report
- CDRL A003 GFE Repair Status Report
- CDRL A004 Failure Analysis and Corrective Action Report
- CDRL A011 Interface Control Drawings
- CDRL A013 Technical Report/Services (Obsolescence)

FLIR Systems, Inc. proposed to have (b)(6), RTA stated that is acceptable. The Government is paying 3.44% less than year five (5) pricing as found on contract N00164-08-D-JQ40 and the Government is requiring more data (two additional CDRLs - A001 and A002).

GOVERNMENT POSITION - (b)(4) per CLIN

Table 26 below gives an overview of the Priced Data prices from various sources. For proposed price of (b)(4) the Government receives the following Data:

- CDRL A001 Provisioned Item Order List
- CDRL A002 Acceptance Test Procedure
- CDRL A003 Integrated Master Schedule (IMS)
- CDRL A004 Monthly Progress Report
- CDRL A006 Government Furnished Equipment Repair Status Report
- CDRL A013 Interface Control Drawings (ICD)
- CDRL A015 Technical Report (Obsolescence)

N00164-08-D-JQ40 price of (b)(4) the Government receives the following Data:

- CDRL A001 Integrated Master Schedule
- CDRL A002 Monthly Progress Report
- CDRL A003 GFE Repair Status Report
- CDRL A004 Failure Analysis and Corrective Action Report
- CDRL A011 Interface Control Drawings
- CDRL A013 Technical Report/Services (Obsolescence)

Given the large dollar amount proposed for CDRLs, the contract specialist enlisted the assistance of a logistician with 20 plus years of experience to review the data requirements and provide insight into what might drive costs for these Government requirements. The logistician is familiar with these CDRLs as he has worked to provide same or similar data. The contract specialist also asked the contractor for more information on what efforts are necessary to produce the required data. Listed below are the CDRLs and the processes that FLIR Systems, Inc. performs to compile data for each CDRL:

CDRL A001 Provisioned Item Order List: NSWC Crane request FLIR Systems, Inc. to update the list of spares and associated pricing. FLIR Systems, Inc. has their (b)(6) to have accurate pricing on the PIO list.

There has been 12 times over the course of contract N00164-08-D-JQ40 that this list was updated (estimated of 100 parts to be update).

CDRL A002 Acceptance Test Procedure: The configuration of this test procedure is managed by the cognizant program manager at FLIR Systems, Inc. At a minimum this Acceptance Test Procedure is reviewed twice a month.

CDRL A003 Integrated Master Schedule: NSWC Crane received one report 90 days after award of the contract on N00164-08-D-JQ40. FLIR Systems, Inc. requested that (b)(6). The Government agrees with FLIR.

CDRL A004 Monthly Progress Report: This is a comprehensive report that provides a record of program activity on a monthly basis. This report is based on customer need. This report is completed and managed by a cognizant program manager. The contents of this report requires the following task:

- > Review, process and track each delivery order
- > Monitoring the production schedule
- > Build status and delivery of each piece of hardware
- > Tracking units that are being repaired
- > Drafting and submitting each ECP for Government review/approval
- > Engineering activities specific to the program, this involves inputs from engineering personnel.

Not included in the report, but necessary to stay current with the program requirements to address them properly the following is completed:

- > Participates in teleconferences
- > Travel, attendance and participation in conferences, such as the LESPMR and ASOAG
- > Support of test events, including travel on-site to China Lake or PAX River

CDRL A006 Government Furnished Equipment Repair Status Report: This involves daily tracking and compilation of information by Service Personnel.

CDRL A013 Interface Control Drawings: These documents are based on FLIR standards but are tailored and customized to meet the requirements of each installation. For example, the drawings show only the part numbers for which the configuration is managed for each program. The configurations of the documents themselves are also managed by the cognizant program manager.

CDRL A015 Technical Report (Obsolescence): This report is compiled and submitted semi-annually. The purpose of this report is to provide a summary of any parts in the BRITE Star Block II system that may be facing obsolescence and how the contractor intends to mitigate the effects. With thousands of parts this is not a trivial task, and in order to execute the contractor has to be proactive in last-time-buys or redesigns so as not to impact deliveries.

As described above FLIR Systems, Inc. has several process that are necessary to be performed to capture the correct data to be compiled and submitted to the Government on a weekly, monthly or bi-annual basis. The Government is receiving more data for a proposed price that is 3.44% less than year five (5) pricing on contract N00164-08-D-JQ40. This percentage was calculated by taking the year five (5) pricing (b)(4) dividing by 2 which equals (b)(4) for USMC and VTUAV programs. The Government accepts FLIR Systems, Inc. proposed price of (b)(4). Not only is the price lower than the historical price, the processes that are involved in compiling the data involve a number of hours and personnel to complete. The RTA has indicated to the contract specialist that the data delivered by FLIR on the previous contract was very useful and was well organized. Therefore, the Government accepts FLIR Systems, Inc. proposed price of (b)(4) as it is lower than the historical price. The Government takes exception to FLIR Systems, Inc. escalation rate of (b)(4) as previously discussed.

Table 26

		Unit Price	
Line Item	Description	Proposed	N00164-08-D-JQ40
CLIN 0036 and 0037	Priced Data	(b)(4)	(b)(4)

I. CLIN 0038 and 0039 Data CDRL A010

FLIR Systems, Inc. proposed that (b)(6) (b)(6) The Government agrees with this.

J. CLIN 0040 and 0041 Priced Data CDRL A011 Training Materials for both USMC and VTUAV Programs

PROPOSED - (b)(4) per CLIN

FLIR Systems, Inc. proposed a Firm Fixed Price of (b)(4) per CLIN Year one (1) of the five (5) year Contract. FLIR Systems, Inc. proposed a (b)(4) escalation rate between (b)(4) (b)(4) of the contract.

TECHNICAL RECOMMENDED

The RTA stated that the training consists of a training support package that provides operator and maintenance training that supports "Train the Trainer/Train the Maintainer" type of New Equipment Training. The training support package includes the following:

- Student and Instructor Trainee Guides
- Course Objectives with Lesson Plans
- Test Package
- Program of Instruction including Training Course Schedule and syllabus
- Training aids such as Audio/Visual aids, viewgraphs, and/or CD-ROM

The RTA stated that FLIR proposed (b)(6) (b)(6) Price is the same as year five (5) pricing on N00164-08-D-JQ40. RTA believes that this would be a onetime purchase and the training material would be utilized over the course of the five year contract. The Government has the authority to reproduce, update, or change the data contained in the Training Curriculum and Training Materials. The Government can duplicate Training Materials as much as necessary to use in the real operational environment. Maintenance manuals will be updated by the OEM and provided to the Government as required. Government Purpose Rights apply.

GOVERNMENT POSITION - (b)(4) in total for training materials

Table 27 below gives an overview of the training materials prices from contract N00164-08-D-JQ40. The proposed training materials are the same as the training materials the Government received on N00164-08-D-JQ40 described above in the Technical Recommend section. The proposed price is CLIN 0040 and CLIN 0041 added together. The historical pricing is the same as year five (5) pricing of (b)(4) on contract N00164-08-D-JQ40. The Government's position is to negotiate this as one CLIN for all training materials. The Government will propose \$150,275 for year 1 pricing on one CLIN. The Government takes exception to FLIR Systems, Inc. escalation rate of (b)(4) as previously discussed.

Table 27

Line Item	Description	Proposed	N00164-08-D-JQ40
CLIN 0040 and 0041	Training Material	(b)(4)	(b)(4)

K. CLIN 0042 and 0043 Training for both USMC and VTUAV Programs

PROPOSED - (b)(4)

FLIR Systems, Inc. proposed a Firm Fixed Price of (b)(4) per CLIN Year one (1) of the five (5) year Contract. FLIR Systems, Inc. proposed a (b)(4) escalation rate between (b)(6) (b)(6) of the contract.

TECHNICAL RECOMMENDED

The RTA stated that the Government can have up to three students per class. Training included in each of these classes is an Operator Course and Maintenance Course. The Operator Course trains the equipment user how to operate and maintain the BRITE Star Block II. The operator training includes fundamentals of thermal imaging, theory of operations, skill development and practical applications required to set up, checkout, operate all equipment and run diagnostics and perform corrective action at the "O" level. Also includes Troubleshooting procedures, WRA replacement, Fuse Cartridge replacement, etc. This course supports all "O" level type operator and maintainer tasks. The Maintenance training includes "O" level maintenance concepts, the use of support equipment, troubleshooting techniques, Shop Replaceable Assembly (SRA) removal and replacement, adjustments, Laser Boresight alignments, BIT/FIT Test, and performance verifications. The training is to indoctrinate the students to become proficient in operation, maintenance and repair to the "O" level maintenance level.

The RTA stated that the training prices were split by the Government between both programs in order to segregate money. It is possible that each program could have a student in the same class. If this were to happen, and since the class size is up to three students, FSI should only get paid once. This is an area where the price of one class could be split between the two CLINs. The price of training has increased substantially.

GOVERNMENT POSITION - (b)(4)

The proposed training is the same as the training that the Government received on N00164-08-D-JQ40, therefore the Government has based its position on year five (5) pricing on N00164-08-D-JQ40. The contract specialist escalated (b)(4) by 2% for 1 year for a price of \$10,900. The Government takes exception to FLIR Systems, Inc. escalation rate of (b)(4) as previously discussed.

Table 28 below gives an overview of the training prices from various sources. The Government can have up to three students per class. The Operator Course trains the equipment user how to operate and maintain the BRITE Star Block II. The operator training includes fundamentals of thermal imaging, theory of operations, operation, skill development and practical applications required to set up, checkout, operate all equipment and run diagnostics and perform corrective action at the "O" level. Also includes Troubleshooting procedures, WRA replacement, Fuse Cartridge replacement, etc. This course supports all "O" level type operator and maintainer tasks. The Maintenance training includes "O" level maintenance concepts, the use of support equipment, troubleshooting techniques, Shop Replaceable Assembly (SRA) removal and replacement, adjustments, Laser Boresight alignments, BIT/FIT Test, and performance verifications. The training is to indoctrinate the students to become proficient in operation, maintenance and repair to the "O" level maintenance level. The proposed price is CLIN 0042 and CLIN 0043 added together. The proposed price is approximately 368% higher than the year five (5) pricing of (b)(4) on contract N00164-08-D-JQ40 and the average invoice price of five invoices is approximately 152% higher than year five (5) pricing on N00164-08-D-JQ40. The Government's position is to negotiate this as one CLIN for all training as the Government will be able to track funding for each program with funding SLINs. The Government has based its position on year five (5) pricing on N00164-08-D-JQ40 escalating (b)(4) by 2% for 1 year for a price of \$10,900.

Table 28

Line Item	Description	Proposed	N00164-08-D-JQ40	Invoice
CLIN 0042 and 0043	Training	(b)(4)	(b)(4)	(b)(4)

L. CLIN 0044 and 0045 Class I Engineering Change Proposal for both USMC and VTUAV Programs

CLIN 0044 and 0045 will be negotiated on an individual basis. These CLINs together have an NTE amount of \$200,000.

M. CLIN 0046 and 0047 COMMERCIAL ASSET VISIBILITY SYSTEM REPORTING (CAVS)

FLIR Systems, Inc. did not propose due to this reporting being funded under another contract.

N. CLIN 0048 and 0049 Provision Item Order for both USMC and VTUAV Programs

CLIN 0048 and 0049 will be negotiated on an individual basis. These CLINs together have an NTE amount of \$49,310,000.

O. CLIN 0050 and 0051 Engineering Services for both USMC and VTUAV Programs

CLIN 0050 and 0051 will be negotiated on an individual basis. These CLINs together have an NTE amount of \$500,000.

Negotiation Plan

- CLINs 0001 and 0002 - Negotiate to reduce the proposed amount by (b)(4) from (b)(4) to \$873,730 to account for no cables required on these CLINs.
- CLIN 0003 - Accept the price as proposed.
- Negotiate a lower per annum escalation rate to (2% versus (b)(4) on CLIN's 0004 - 0043.
- CLIN 0004 - Negotiate a lower unit price of \$4,110 which is (b)(4) lower than proposed.
- CLIN 0005 - Accept the proposed price.
- CLINs 0007, 0016 & 0019 - Negotiate lower TFU TT&E prices to match invoice prices.
- CLINs 0010, 0022 & 0025 - Accept the proposed price for CEU TT&E.
- CLINs 0013, 0028, 0031 & 0034 - Accept the proposed price for UHCU TT&E.
- CLINs 0036 & 0037 - Accept the proposed price for the priced data.
- CLINs 0040 & 0041 - Negotiate the price of two "sets" of training materials into one "set" thus cutting the proposed price in half.
- CLINs 0042 & 0043 - Negotiate lower training costs to match prices paid on previous contract (N00164-08-D-JQ40) for training.
- CLINs 0044 & 0045 - NTE CLINs for ECPs, no negotiations required at this time.
- CLINs 0048 & 0049 - NTE CLINs for PIO, no negotiations required at this time.
- CLINs 0050 & 0051 - NTE CLINs for Engineering Services, no negotiations required at this time.

SECTION VI

PRE-NEGOTIATION INCENTIVE/AWARD FEE STRUCTURE

N/A

SECTION VII

PRE-NEGOTIATION OTHER INFORMATION

In summary, as stated above, the BRITE Star II proposed prices are consistent with the pricing on the previous BRITE Star II contract N00164-08-D-JQ40. Under that contract the Government was able to secure large price concessions for the systems and upgrades. FLIR has maintained their prices at the previously negotiated pricing levels. In ascertain how the market prices for Electro-Optical (E/O) systems are trending, the Contract Specialist reviewed the market for the BRITE Star II systems and other E/O sensor families. The review included historical data on BRITE Star I & II contracts (N00164-01-D-011, N00164-07-D-8577, N00164-08-D-JQ40, N00164-12-C-JQ42, N00164-12-C-JQ09, N00164-12-D-JQ18), invoices, GSA, and other E/O sensor families. The review revealed prices that were consistently higher than the proposed prices for this requirement. Recently negotiated E/O sensor system contracts are upwardly trending at a rate of approximately 2% per annum. Therefore, the Government's position as described above is fair and reasonable IAW FAR 15.404-1(b)(2)(ii) Comparison of the proposed prices to historical prices paid and 15.404-1(b)(2)(iv) Comparison with competitive published price lists, published market prices of commodities similar indexes, and discount or rebate arrangements.